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Delaware Department of Justice's Investor Protection Unit Announces Top Investor Threats for 2022

The Delaware Department of Justice's Investor Protection Unit today released an annual list of top investor threats and urged caution before purchasing popular and volatile unregulated investments – especially those involving cryptocurrency and digital assets. The Investor Protection Unit also announced guidance for investors, including steps investors should take to protect themselves from fraud in the new year.

"Investments related to cryptocurrencies and digital assets is our top investor threat," said Attorney General Kathy Jennings. "Stories of 'crypto millionaires' may lure investors into cryptocurrencies or crypto-related investments, but the flip side is that there are also many stories of those who bet big and lost big. The Investor Protection Unit expects that this trend will continue in 2022."

The top 2022 threats were determined by a survey of securities regulators conducted by the North American Securities Administrators Association (NASAA). The annual survey is designed to identify the most problematic products, practices or schemes facing investors. The following were cited most often by state and provincial securities regulators:

1. Investments tied to cryptocurrencies and digital assets,
2. Fraud offerings related to promissory notes,
3. Money scams offered through social media and internet investment offers, and
4. Financial schemes connected to Self-Directed Individual Retirement Accounts.

"Many of the fraud threats facing investors today involve private offerings, as federal law exempts these securities from registration requirements and preempts states from enforcing important investor protection laws," Attorney General Jennings added. "Unregistered private offerings generally are high-risk investments and don't have the same investor protection requirements as those sold through public markets."

Investors are urged to practice the following tips to identify and avoid investment scams:

1. Anyone can be anyone on the Internet. Scammers are spoofing websites and using fake social media accounts to obscure their identities. Investors should always take steps to identify phony accounts by looking closely at content, analyzing dates of inception and considering the quality of engagement. To ensure investors do not accidently deal with an imposter firm, pay careful attention to domain names and learn more about how to protect your online accounts.

2. Beware of fake client reviews. Glowing testimonials create the appearance the promoter is reliable – he or she has already earned significant profits in the past, and new investors can reap the same financial benefits as prior investors. In many cases, though, the reviews are drafted not by a satisfied customer but by a scammer. Learn how to protect yourself with NASAA's Informed Investor Advisory on social media, online trading and investing.

3. If it sounds too good to be true, it probably is. Bad actors often entice new investors by promising the payment of safe, lucrative, guaranteed returns over relatively short terms – sometimes measured in hours or days instead of months or years. These representations are often a red flag for fraud, as all investments carry some degree of risk, and the potential profits are typically correlated with the degree of risk. Learn more about the warning signs of investment fraud

The Investor Protection Unit recommends investors independently research registration of investment firms. They should not use hyperlinks provided by the parties and instead contact their state securities regulator, search the SEC's Investment Adviser Public Disclosure website or FINRA's BrokerCheck platform.

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